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The German Coöperatives after the War¹

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IN spite of the serious obstacles with which they had to contend during the war, the German coöperative organizations have, on the whole, weathered the storm successfully; and although their path is still beset with difficulties along certain lines, their future is beginning to look brighter. They have, in fact, been definitely benefited by the war in one respect deserving of attention, even though excessive optimism on that score would be premature. Up to the time of the war the various coöperative organizations had existed in Germany as separate leagues, governed by the rather strictly exclusive interests which their character as agricultural or industrial associations on the one hand, and as distributive or productive associations, on the other hand, imposed upon them. In some cases even their attitude toward each other had been distinctly hostile. In the course of the war, however, they found themselves actuated by the stress of circumstances to join hands in the form of a "free association" comprising the five chief coöperative organizations.

These five coöperative groups are the following: (1) The General Federation of German Industrial and Economic Associations, organized by Schulze-Delitsch in 1864. (2) The General Federation of German Railfeisen-Coöperatives, founded in 1877

and consolidated between 1905 and 1910 with the group to be mentioned at once. (3) The Imperial Federation of German Agricultural Associations (*Reichsverband*), organized in 1883 in Darmstadt by County Commissioner (*Kreisrat*) Haas and moved to Berlin in 1915. (4) The Central Federation of German Consumers' Associations, with headquarters in Hamburg, founded in 1903, after 190 consumers' associations along with the "Wholesale Buyers' Association of German Consumers' Associations" had in 1902 been excluded from the "General Federation." (5) The General Federation (*Hauptverband*) of German Industrial Associations, also founded in 1903, and federated in 1906 under general statute. In addition to these there are thirty-one minor coöperative associations, partly agricultural, partly industrial, as well as several consumers' associations, among which the Imperial Federation of German Consumers' Associations, founded in 1908, and numbering 274 locals with a total membership of 353,900 in 1918, is the most noteworthy. Lastly, there are to be mentioned a number of federations of building and loan associations.

Schulze-Delitsch, the author of the German coöperative movement, proceeded from the thought that all kinds of coöperatives could be embraced in the organization which he founded. Considered from the juridical point of view this idea seemed entirely plausible; for all coöperative associations differ from the corporations of the

¹ As the date, when the request for this article reached me, left me a very small margin of time, I did not have the opportunity to present the subject matter in complete detail. This sketch will be found none the less to give an accurate account of the general situation.

capitalistic type on the following points: (1) All members of the coöperative enjoy equal rights, that is to say, these rights are not graduated according to the amount of capital invested by each member; (2) the distribution of dividends is made in the coöperatives, not on the basis of the capital invested by any member, but on the basis of the amount of goods purchased from the coöperative by that member; and (3) admission to or exclusion from a coöperative is not dependent on the purchase or sale of a share of a definitely fixed capital of a corporation. Accordingly, joining or leaving a coöperative is optional, barring, of course, certain limitations arising from the nature of things. An association of salesmen, for instance, can not take in any new members if it can not count on disposing of more goods, since doing so would run counter to the interests of the existing membership. Similarly, a consumers' or a building association can not take in any new members, if it is unable to satisfy their requirements. Such a contingency will, to be sure, occur very rarely in the case of a consumers' association. It actually occurred, however, at the beginning of the war, when a number of clubs which were still well-stocked with goods, decided to give their old members the benefit of these. This does not alter the fact that from the juridical point of view all coöperative associations are identical in principle.

Yet, notwithstanding this identity in their juridical aspects, the various kinds of coöperatives are characterized in their social functioning by marked differences which often develop fundamental antagonisms. Schulze-Delitsch had not taken these into account and, consequently, had done nothing to bridge the differences. He lived in an age which pretty generally

focused upon production in a one-sided way to the disregard of other factors in the social economy, and he consequently failed to see the radical clash of interests between the two economic poles of production and consumption, as it exists in a society organized on the principles of individualism and division of labor. The whole age laid the chief stress upon production and the factors upon which it depends—the buying and selling of raw materials and labor, because their cost determines the cost of goods for consumption. Thanks to universal competition, the cost of goods to the consumer was not jacked up at the second pole; in fact, in many cases prices dropped, owing to technical progress; for that reason the second pole did not command much attention. Thus it was that Schulze-Delitsch's efforts were bent towards the establishing of a general producers' association—an aim in which he found himself on common ground with Lassalle, except for the fact that the latter looked towards state aid for its accomplishment, whereas Delitsch believed in self-help only. As to the consumers' association, Delitsch regarded it only as a preliminary agency, confined to the task of collecting customers for the producers' association. It did not occur to him that production for sale in the market is something entirely different from production and sale for coöperative distribution. Furthermore, he did not realize that the so-called sale of goods on the part of the consumers' association to its members is not a sale at all in the true sense of the word, the fact being that the members merely call for the goods already belonging to them and purchased by their money. As to the money the members pay for the goods they take, it provides only the means for replenishing their supply of capital,

for the purpose of making further purchases. He did not see, lastly, that the members of the consumers' association are owners and customers in one person, actuated by the same interests, whereas in the retailer's store it is different persons who meet, actuated by opposing interests. In the person of the retailer they face a stranger who desires to get a profit from them, his customers, and when they buy from him they make him a present of this profit. In the consumers' association, on the other hand, it is not a question of their getting a profit out of their comrades, or vice versa, since the whole surplus of price over cost which they contribute to the business belongs to them in common and does not represent a gain out of some one else's pocket. And if they then take out of this surplus, according to their own decision, an amount bearing a definite ratio to what each member paid in, they are merely getting compensation for over-payment and not "dividends" in the capitalistic sense, even though such compensation represents the saving of what otherwise would have been the retailer's profit.

All these facts and others closely bound up with them, Schulze-Delitsch, like almost all his contemporaries, failed to take into account. He was unable to foresee, therefore, that the tradesmen, who played the dominating rôle in his credit associations, were bound to develop forthwith a keen hostility toward the consumers' associations, inasmuch as the latter curtailed their earnings. This friction became particularly pronounced during the eighties, when the trade unions also began to organize coöperative stores of their own. Schulze-Delitsch further failed to perceive that while the agricultural, and in part also the manufacturing and distributing asso-

ciations had definite sellers' interests opposed to the buyers' interests of the consumers' associations, it was nevertheless possible to bridge this conflict of interests. For it certainly ran counter to the interests of these producers' associations to see the middleman beat down the prices paid by wholesalers while forcing up the prices paid by the public. Had they understood their own interests, they would have seen that it was to their own advantage to put their goods directly, at the cheapest possible price, into the hands of the consumers' associations, and to obtain for the consumers' associations lower-priced commodities. However, as Schulze-Delitsch failed to see all of this, their differences could not be adjusted; their conflicting interests could not be bridged, with the result that their common bond of juridical uniformity proved too weak to check the centrifugal forces that developed from their distinctive functions in the social economy.

The first ones to strike out on a path of their own were the agriculturalists, breaking up later, in their turn, into two distinct groups. The older of these, the "Raifeisen-Federation" clung strictly to the principle of unlimited liability and united the interests of the credit and the consumers' associations by a common tie. As a matter of fact it also admitted associations of a different character to membership, but not with equal rights. The younger one, the "Imperial Federation," with at present twice the membership of its older competitor, did not adhere so generally to the principle of unlimited liability, and embraces in its membership credit associations, manufacturers' associations, producers' associations and distributing associations, as well as various kinds of consumers' associations, all of which enjoy equal rights. Its administrative functions are regu-

lated by five distinct executive committees. On the whole, these two organizations which, by the way, effected their separation amicably, are functioning side by side without friction. As contrasted with these, the conflict between the trade interests (which played the leading rôle in the industrial credit associations of the "General Federation") and the users' interests of the consumers' coöperatives soon became acute; and it led to the above-mentioned, and by no means amicable separation in 1902-3, to which the "Central Federation," a vigorously flourishing organization owes its existence. A number of the consumers' associations, to be sure, recruited chiefly from the bourgeois and official classes, did not detach themselves, at that time, from the "General Federation." In retaining their membership, the former were actuated by fear of the predominance of labor as supporting the Social-Democratic party; while the latter were barred from the "Central Federation" by the disapproval of the authorities. Recently, however, (1920) these associations, somewhat above 200 in number, amicably left the "General Federation," to join the "Central Federation," practically without exception. The latter had, by the way, pursued from the outset a policy of strictest political and religious neutrality. It limited its membership, moreover, in realization of actual conditions, to consumers' coöperatives. To be exact, a number of industrial producers' associations were also admitted, but more recently membership has been closed to these also. Its aim is to be purely a consumers' organization. This does not prevent it, of course, from associating itself with building and loan, as well as agricultural and industrial producers' associations, in order to establish with a minimum of friction and at a minimum

of cost a regulated coöperation of production and consumption.

To a certain extent the war has favored this tendency. In the first place, immediately after the war began, the order barring the entry of officials into the "Central Federation" was revoked. Later, when the coöperative associations of all kinds found themselves legally and socially discriminated against by the war administration, this jeopardizing of their interests led to the above-mentioned rapprochement of the five main organizations. It became a question of jointly resisting a policy of unfairness inaugurated against them. Although they were the natural supports of the general economic life of the nation, nevertheless, when the special economic policies of the war administration were inaugurated in the interests of public welfare, they found themselves totally barred from participation therein. Furthermore, it became a question of putting a check on the high-handed methods of the wholesalers, who now regulated the supply of goods almost exclusively and controlled it to their own interests by virtue of their agency, the "war associations." For the products of agriculture, as well as for its requirements, such as manure, cattle, seed, and also coal, the existing agricultural associations would have formed the natural centers of purchase, assembling and distribution. In spite of this, the efforts of the dairymen's associations, to organize the sale of grain, butter and milk, immediately met with the most determined resistance on the part of the trade. As to eggs, they were permitted to function as agencies of assembly only in a very limited way. As to coal, they were absolutely excluded from its distribution. Their supply of manure was restricted to the utmost, resulting in a rapidly growing illicit trade with an

accompanying rise in prices. As to the credit associations, the banks attempted to get control of them, and the public savings banks, whose funds are known mostly to enrich capital, sought to curtail the savings deposits in the coöperative treasuries. The building associations, even the large ones with branch members, were denied the right of wholesale trading. They were forced, in fact, to pay the enormous wholesalers' taxes in spite of the fact that the margin between wholesalers' and retailers' prices was often incredibly small. Discriminations often took place with studied partiality in favor of the trade. The Wholesale Buyers' Association of German Consumers' Coöperatives was reduced to a mere shadow, and its productive branches were put under the control of the trade syndicates which furnished it raw materials in insufficient quantities and prohibited it from supplying its members at low cost. The effect of this discrimination is shown by the fact that this organization, the natural source of supply for the masses, during the last year of the war suffered a drop of one-third in its turnover, as compared with that before the war, in spite of the fact that the rise in prices at that time had already begun. At present this profiteering system, deceptively styling itself "war socialism," is gradually losing its hold, but even now it maintains a tight grip on a number of industries, among them soap and matches.

There can be no doubt about the fact that the coöperative organizations could have won the mass of the population during the war, if they had been given fair treatment; that is to say, if they had been put neither under the control of the state nor under that of the big merchants, and if they had been supplied with goods in accordance with their normal growth. This

is shown clearly by the large influx of new members at the beginning of the war, before compulsory rationing had been thoroughly developed. Thus the "Central Association" of German Consumers' Associations had increased between 1910 and 1914, in the space of five years, from a membership of 1,048,000 to that of 1,621,000; that is to say by an average of 115,000 a year. In the three years from 1915 to 1917 the membership rose to 2,052,000; that is to say by 144,000 a year. As a matter of fact the dates given correspond to a period six months earlier. After the war-rationing system had been organized, the membership rose to only 2,231,000 in 1919, making an average increase of only some 60,000 a year. However, since the middle of 1919 there has been a perfectly phenomenal rush of new members to the consumers' coöperatives, for which statistics are not yet available. To quote only a few illustrations, during the second half of 1919 the membership grew in Gera from 977 to above 1,200; in Baden-Baden from 3,387 to 4,450; during the first half of 1920 membership in the Hamburg association, *Produktion*, rose from 112,344 to 118,193; from July, 1919 to July, 1920 Halle recorded a growth from 13,582 to 16,803; the figures in Bielefeld rose during the same period from 23,885 to 27,875. Another factor entering into the situation is the organizing of many new groups, sometimes embracing whole counties (*Bezirke*) in a single consumers' coöperative. In many cases also smaller associations have been incorporated into larger ones, thereby increasing their net efficiency.

In the same period the increase in turnover has been simply astonishing, but this is due only in part to an undeniable increase in the amount of goods consumed since the war, while for the greater part it is due to the sky-

rocketing of prices, particularly during the last year, although the upward movement set in earlier. Prices in many cases have risen to five times and even ten times their prewar cost. This state of affairs is already reflected in the turnover of the last year. Consequently, when we read that the yearly turnover in 1914, before the war, amounted to 486 million marks, whereas the turnover recorded for the year ending July, 1919 amounted to more than a billion marks, this increase is to be accounted for very largely by the advance of prices which was even at that time very noticeable. A similar inference must be drawn from the report of the Wholesale Buyers' Association to the effect that its normal prewar turnover of 157 million marks, which had dropped in 1918 to 104 million marks, rose during 1919 to 352 million marks. This situation is also reflected in the fact that the Hamburg coöperative association, *Produktion*, known as Germany's model coöperative, reports a turnover of almost 143 million marks for the first half of 1920, whereas its turnover during the whole of 1919 amounted to not quite 129 million marks. A clear commentary is given to these figures by the fact that wages paid by the Hamburg coöperative amounted to somewhat less than 10 million marks in 1919, while that figure is already exceeded during the first six months of the current year.

As a consequence of the advance in prices it follows that stocking up with goods involves a much larger investment in money than used to be the case. During the war, when goods were scarce, there was a superabundance of capital which often could not be disposed of in the investment market. Now that the situation is completely altered, such associations as neglected to accumulate sufficient capital during

the last few years, are likely to find themselves in financial straits. Fortunately the conviction has begun to grow that the safest place to invest savings is the coöperative association. The public is also beginning to realize that its money is being used in these associations for the purpose of supplying its own needs, instead of furnishing more money to the capitalistic interests, to be used by them to mulct it further. The sum total of the coöperative savings deposits, which in 1914 amounted to only 84 million marks, increased in 1919 to 271 million, and in spite of the hard times deposits are still growing faster than withdrawals. These deposits, which were really not intended to be invested in the business proper—the Hamburg coöperative had designated these funds solely for building purposes—come in handy for the immediate present in providing the means for the further purchase of goods. It is true that the need for funds is being partly taken care of by a general increase in the price of coöperative shares from between thirty and fifty to between one hundred and two hundred marks a share. But even so, the collection of these increases requires time, and in the case of the older organizations these increases are mostly not actually paid in, being taken instead from the dividends (strictly "reimbursements") which would otherwise await distribution.

In contrast to the consumers' associations, the agricultural and industrial associations have not made any proportionate progress; some of them, in fact, have suffered setbacks. This situation must be viewed partly in the light of the fact that in both east and west large agriculturally productive provinces were severed from the empire; but nevertheless, internal causes have also contributed to the present situation. The industrial associations,

especially the credit associations, complain of insufficient coöperation on the part of their members; but it is also true that the efforts of the large credit associations to develop into or amalgamate with banks, are reacting unfavorably to the money needs of the small tradesmen. The agricultural associations, on the other hand, often complain of irregular practices on the part of their members. For this the administration of the war-rationing system is to blame, in so far as it has encouraged a great deal of petty illicit traffic in the country. City dwellers throng to the country to buy and hoard, outbidding each other, with the natural consequence that the farmer yields to their tempting prices, instead of delivering his produce to his association for marketing. A corroding individualism in an age which, owing to its highly specialized division of labor, requires more than ever the regulation of mutual obligations and of all activities in a coöperative spirit, causes men in snatching the chance profits of the moment to overlook their permanent advantage. They get their punishment as a rule, inasmuch as the general advance of prices reduces their buying power in most cases by a ratio which more than neutralizes their monetary gain. The only advantage of such transactions accrues to the large capitalists to whom they afford the means of constantly extending their power over the lesser profiteers and the little ones.

The industrial and agricultural associations mostly consist only of small and even tiny local clubs. Among these the credit associations play the most important part. The two chief agricultural organizations, as well as the two chief industrial organizations (which have been united since April 24, 1920 under the name of *Deutscher*

Genossenschaftsverband) have in the course of the war suffered a diminution in the number of their branches as well as in that of their members. In 1916 the two industrial organizations numbered 1,376 locals with approximately 715,700 members; in 1917, 1,347 locals with 687,000 members. The two agricultural organizations had 15,987 locals with 1,595,500 members in 1915, but only 15,439 locals with 1,552,000 members in 1917. Their monetary turnover increased very much, of course, during the period when money was easy; as, for instance, that of the loan treasury of the "Imperial Federation," which increased between 1915 and 1917 from six to twelve billion marks. But compare with this the fact that the dairy associations dropped from a production of about two billion kilograms of milk solids to 1,350,000,000 during the same period, while the price of their produce, to be sure, rose from 199 million to 237 million marks.

As for the coöperative associations of other kinds, they have had a variety of fates. The building associations have, of course, practically ceased to function. Other industrial organizations, not already included in the foregoing, have increased from 500 to 917 locals, and their membership has grown from 46,900 to 67,300. The remaining associations of an agricultural nature, on the other hand, have shrunk from 7,320 locals with 671,400 members to 7,186 locals with 681,400 members. The general tendency since the war points toward progress. Thus, figures for 1919 record 18,284, while those for 1920 show 19,261 credit associations. They do not show, however, how this number is distributed between the agricultural and the industrial sphere.

The remaining kinds of associations are recorded as follows:

	1919	1920
Associations for raw materials:		
Industrial	1,252	1,707
Agricultural	2,811	3,276
Buyers' associations	607	1,033
Trade unions' coöperatives:		
Industrial	314	327
Agricultural	2,361	3,301
Associations for procuring machines and implements (probably agricultural only)	12	12
Merchants' associations:		
Industrial	123	127
Agricultural	594	677
Associations of merchants and dealers in raw materials:		
Industrial	218	313
Agricultural	594	677
Producers' associations:		
Industrial	1,039	1,159
Agricultural (predominantly dairymen's)	3,759	3,780
Breeders' and ranchers' associations	581	638
Builders' associations	1,388	2,131
Associations for building assembly houses (for locals)	130	135
Other associations	362	483

The total number of consumers' associations is given in this table as 2,101 in 1919 and 2,233 in 1920. The total membership is not mentioned. The consumers' associations estimate it at 3,200,000. Of these the "Central Federation," now that it has been joined by the consumers' associations, formerly affiliated with the "General Federation," numbers about 2,500,000. The figures quoted by various sources do not entirely agree on this point. Similarly, one finds in the Yearbook of the "Central Federation" the number of industrial producers' associations quoted as 1,106 and that of the agricultural associations as 4,094 for 1919, that is to say rather higher than as given above. However, such discrep-

ancies, due usually to the inclusion or omission of unimportant locals, or to a different registration of locals occupying an uncertain position between various definite groups, do not affect the character of the total survey in any way.

Without the need of any further explanation, these figures show that all coöperative groups, just like the whole economic life of the nation, suffered a setback through the war. This setback signified a real decline, however, only in the case of many credit and sellers' organizations and the building associations generally. The consumers' associations, on the contrary, registered some progress on the whole even during the worst period, the latter half of the war, despite the fact that their Wholesale Buyers' Association suffered through the discrimination practised against it by the rationing agencies of the war administration. Since the war, however, almost all kinds of associations have been forging ahead, although this is true of industrial associations to a lesser degree than of others. At any rate, thanks to the war, the appreciation of the functions of the various associational groups has visibly grown, both within the associations themselves and outside. Also, thanks to the war, the conflicting interests of the various groups have come to make themselves felt somewhat less, and the idea of a thorough-going social coöperation is beginning, to a certain extent, to assert itself. Men are beginning to realize that the relations between modern specialized producers, who are at the same time consumers of each other's products, should be regulated by free agreement, without violence and without the mediation of groups of middlemen organized for profit. No one can say as yet how soon and to what extent this idea is going to be put into action.

So much is certain, that the present commercial system is coming to be recognized more and more as a cause of high prices, an obstacle to fair distribution, and a hindrance to maximum production. Even before the war, when at the height of its efficiency, it

proved itself inadequate. Now, that the ineffectiveness of various coercive measures to cope with the situation has been experimentally demonstrated, it is to be hoped that the logic of events will point the way to the realization of the coöperative idea.